

SECRET

T.E.C. REVIEW - ARGENTINA / VENEZUELA (25.06.92)

In attendance:

B.D. Branley
R.H. Pilbeam
J. Rembiszewski
K.S. Dunt

Meeting held to review the advice note to the T.E.C. on proposed change of strategies for Argentina and N-P; also to progress the key issues identified during the T.D.'s recent visit to Bigott - essentially to stem share-loss.

1. Argentina

- 1.1. Agreement to a strategy to address the 3 bn + border trade. In liaison with Souza Cruz. Must build present brand equities of N-P not serve to undermine them. Paper to T.E.C. End July.
 - 1.2. Aggressive tactics to be formulated with BATCO Marketing to prevent further DERBY share loss and reverse marginal decline in JC/JCS. (To include review of media/press/copy etc.) VFM strategies for DERBY to be agreed (N-P to be requested to formulate - also BATCO Marketing - KSD/JR to action).
 - 1.3. LSF launch now September. JR/KSD visiting October. Agreed that only B&W's approved blend to be C.P.T. tested for time being.
 - 1.4. N-P senior management to be challenged on brand management calibre - mainly Price/Tudor.
 - 1.5. Agreed formulation of BARCLAY/KOOL strategies to USIB for pre-plan agreement.
 - 1.6. Imported KENT "launch" to be discussed through. B&W request.
 - 1.7. Noted downsizing plan adequate if taken as Stage 1. Complete by June '93. Savings of US\$9 m. in full-year. Stage 2 to be initiated at Co. Plan 1993-98 Review.
 - 1.8. Sale of N-P equity, probably no greater than 10%, to be pursued with some speed. Rothchilds to progress in concept stage. Must be fully confidential. No local N-P contact to be made. Paper to T.E.C. a.s.a.p.
 - 1.9. Sale and leaseback proposals to be worked through and fully evaluated. Can involve local management.
- GM/Marketing Director visit U.K. 20th/26th July to progress above.

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2. Venezuela

2.1. Agreed given the benefit to competition of down-trading not to go for the August price increase. Approx. cost US\$2.5 mn in 1992.

2.2. CB's position may be compromised by need for continued supply of sheet (RCE).
Substitute "emergencies" to be put in place (not possible without some risk to BELMONT brand - 8% inclusion).

2.3. Price reduction game-plan being formulated for decision by end July. CONSUL Bs.40, BELMONT Bs.42.
Noted alternative not reducing BELMONT - leaving ASTOR only at Bs.42 - also to be evaluated.

2.4. CONSUL to be handled aggressively as VFM; ideas to put value onto pack/product. BELMONT to receive greater "big" activity. Pursue BATCO Marketing proposals of April. LSF launch (including Lights) September.

2.5. Problems of direct distribution discussed (including commission war). Plan good - execution poor in response terms. (This view now confirmed by H.N.).
Action plan to remedy being put in place.

2.6. Immediately upgrade presence in DNP to 60%. After auditing market impact to 70% last QTR '92/1st QTR '93. Continue well publicized campaign with government to prevent such trade. Excise tax on exports or ban - with Project CP in contingency reserve.

2.7. Counter PMI supply of BELMONT HL from Ecuador (to assist destabilization of our BELMONT s.o.m.) with ASTOR (ex-Chile) being 'made available' on equal volume terms as BELMONT HL. (Need Group Chairman to be advised please).

ASTOR supply August.

2.8. Appointment of dedicated Colombian BELMONT Manager (in liaison with B&W Bogota office) noted. Improved performance targets being set - s.o.m., awareness, financials, etc.

2.9. Agreed Biotech continues as long as neutral cash-flow achieved.

2.10. Manning reductions noted - being achieved.

2.11. Revised production investment plan needed - to be prepared in liaison with BATCO Production.

KSD meeting with G.M./Marketing Director in Costa Rica 7th July to progress above.

Concluded.

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